

HOUSEHOLD AND UNORGANIZED ACTIVITY IN THE RURAL ECONOMY—CHALLENGE FOR GROWTH AND TRANSFORMATION*

I feel deeply grateful for being given the opportunity to be with the distinguished members of the Indian Society of Agricultural Statistics at their twenty-eighth session. It is indeed a high privilege to be allowed to join them and our hosts of the Haryana Agricultural University in paying our respectful homage to the memory of Dr. Rajendra Prasad. Through his entire life, Dr. Rajendra Prasad devoted himself to the service of small peasants and rural workers and artisans and of all those whom our Society has now, as in the past, tended to leave behind. Therefore, it is in the fitness of things that our thoughts should turn today to the underlying economic settings in which these groups live and work and how their condition might be transformed in the coming years.

We begin to see our problems much in the way we organize our information and develop tools and concepts to steer the course of development. The truth of this proposition becomes apparent if we reflect on the present and future role in the Indian economy, and more specially in our rural economy, of economic activities which are commonly labelled as the household sector.

The development of modern infra-structures and industrial capacities has provided, thus far, the main thrust in the growth of the Indian economy. In recent years, the increased use of industrial inputs has carried the process somewhat further into agriculture and the rural economy. In their turn, official development strategies have influenced the direction of economic and statistical research. It has thus happened that, in their quantitative approaches, our studies have tended often to follow prototypes and notions more suited to highly developed economies. As we know, these economies have long functioned as more or less unified entities. Most of their production and service enterprises operate within a certain range of efficiency, and are able to respond to similar economic opportunities and incentives. Yet, in conditions vastly different, in the main we follow the methods of advanced economies in presenting national accounts,

* Dr. Rajendra Prasad Memorial Lecture delivered by Shri Tarlok Singh on the 1st January, 1975, at the Haryana Agricultural University, Hissar, Haryana, organized by the Indian Society of Agricultural Statistics, New Delhi.

in making macro-economic projections, and in delineating economic sectors for input-output studies. Thereby, unwittingly, we find ourselves drawn away from apparently simple, yet formidable realities of overwhelming significance in our economic and social life.

In making these observations, one questions, not the need for refined methods and concepts of study, but the considerations which determine the choice of themes for speculation and enquiry and the appropriateness of different approaches at each given stage of development.

From another standpoint, we can refer to the vast amount of empirical data which have come together through credit surveys of the Reserve Bank of India, studies of the impact of recent technological advances in agriculture, evaluation studies of many development programmes and projects, and field investigations undertaken by a great variety of research institutions throughout the country. All these are valuable on their own terms and could be put to greater use for policy and programme planning than has happened so far. Yet, it is fair to ask whether these various surveys and studies have succeeded in throwing adequate light on the nature, extent, and limitations of what is, surely, still a major characteristic of India's economic structure, namely, the range of activities comprised within the so-called household sector. For evidence on this subject, we have to turn to three main sources: the population census, the enquiries undertaken from time to time through the National Sample Survey, and investigations into rural and urban savings by the National Council of Applied Economic Research. Of course, to an extent, information from these sources can be supplemented from studies of the economy of villages and, more recently, of a number of development blocks and areas.

Two Economies Side by Side

At the stage of development now reached in India, we can see that two somewhat distinct economies have come into existence and function side by side with only limited linkages between them. There is, first, the economy of the cities, which includes also a growing number of urban and industrial enclaves in rural settings. The core of the economic life of these centres consists of the activities of the modern sector in industry, transport and services, including those of the Government. Largely related to these activities and increasingly influenced by them are economic activities of a more dispersed nature, resembling but technologically superior to those of the household sector. Taken as a whole, economic activity in urban areas can be

described in direction and substance as being 'organized'. In distinction from the urban economy, we have a far larger and more diffuse rural economy in which household enterprise in agriculture, manufacturing and services is the dominant form of organization. The 'organized' part of the national economy is penetrating more and more into the rural hinterland, manily in search of wider markets, but, seen in its totality, the rural economy can be described as being 'unorganized'.

The distinction here made between the 'organized' and 'unorganized' sectors is somewhat broader than that discussed in many economic texts, between 'modern' and 'traditional' or between 'market' and 'subsistence'. In the process of economic development, the 'market' as well as the 'modern' elements gain an increasing foothold in the operation of the rural economy. At the same time, household enterprise, depending entirely or almost entirely on its own labour resources, continues to be the leading type of organization. That this is a fact of central importance, with deep significance, not only for the growth and efficiency of the rural economy, but also for the entire national economy, can be judged even from our present inadequate understanding of the rural household sector.

Norms For Performance

The rural household sector may be said to comprise four component groups, namely, (a) households engaged in farming, (b) households offering labour to those engaged in farming, (c) households engaged in manufacturing, processing and repair, and (d) households providing transport, trading and other economic services arising from the production activities of farmers and artisans and the consumption needs of the rural community.

For the rural household sector as a whole to become more productive and efficient, and to contribute increasingly to the growth of the national economy, it is essential that a high proportion of the functioning economic units within it should also become more productive and efficient. If the great majority among them will do no more than eke out the barest living, as they have done in the past, the rural household sector must necessarily fall behind the more dynamic parts of the economy. Indeed, the entire national economy will find itself dragged down continuously. Therefore, it is important to postulate certain norms of performance. Progressively, all household enterprises, whether engaged in farming or other production and economic services, should have (a) the capacity to achieve a steady rise in productivity, and (b) the ability to generate a surplus for

future growth. For households offering labour also, two tests can be proposed, namely, (a) the prospect of gaining in skill and productivity, and (b) rising rates of real earnings. In the measure in which household enterprises and rural labour are able to meet these norms, they will become dynamic; in their absence, they will stagnate. It is from this aspect that available data on the present functioning of the main components of the rural household sector should be reviewed.

Before proceeding further, it is necessary to mark the fact that, each year, growth of population adds several millions to the numbers subsisting within the rural household sector. As is now widely acknowledged, but without following up the implications, increase in employment in industry and in the modern sector as a whole will continue to fall greatly short of expansion in labour force. With 80 per cent of the population still within the rural fold, the absolute numbers to be employed and maintained through the economic activities of the rural household sector become ever larger. Unless the rural economy and the unorganized sector are themselves radically transformed, the outlook for a large proportion of the rural population cannot but be one of deepening poverty. As against this, *by themselves*, the growth of the urban economy and of the organized sector will be of small avail. Indeed, as financial networks extend themselves into the countryside and urban influences become more compelling, often, their first impact is to denude the rural economy still further of some of its limited stock of skill, entrepreneurship, and investible resources. From the issue of growing poverty for a large part of the rural population, we are then led on to another critical aspect of development policy, namely, a widening gap between the rural and the urban economy. In turn, before long, this must also bring about a slowing down of the rate of growth of the modern and the organized sector as well. Thus, to a far greater extent than has yet been grasped, the future of the Indian economy will turn on how, even at this late juncture, we view the economies of the rural household sector and begin to change the conditions of production and living of the vast populations who obtain but a meagre sustenance through participation in its activities. Perhaps the theme could be conveniently considered, if only in a preliminary way, under the following heads:

Pattern of work and employment in rural areas;

Farm households;

Rural labour households;

Household industry;

Rural household trade;

Rural household income and saving.

Patten of Work and Employment in Rural Areas

On the definitions adopted for the 1971 census, about 80 per cent of the working population (representing nearly 34 per cent of the rural population) worked in the rural areas. According to the main activities undertaken, the numbers and proportions of rural workers in different occupations were :

TABLE 1
Rural workers according to main activity, 1971

<i>Main activity</i>	<i>Number (in thousands)</i>	<i>Proportion to rural workers (%)</i>
1. Cultivation	76,545	51.6
2. Agricultural labourer	45,570	30.7
3. Livestock, forestry, fishing, hunting and plantations, orchards and allied activities	3,759	2.5
4. Mining and quarrying	602	0.4
5. Manufacturing, processing, servicing and repairs		
(a) Household industry	4,763	3.2
(b) Other than household industry	3,402	2.3
6. Construction	1,096	0.7
7. Trade and commerce	3,623	2.4
8. Transport, storage and communications	1,210	0.8
9. Other services	7,805	5.3
<i>Total rural workers</i>	<i>1,48,375</i>	<i>100.00</i>

Changes in proportions of workers engaged in different occupations come about slowly in the ordinary course. Notwithstanding some differences in concepts, the 1971 census broadly confirmed the findings of enquiries into rural employment undertaken by the National Sample Survey (NSS) in the seventeenth round (1961-62) and in the nineteenth round (1964-65).

Work on one's own account is a common feature of rural life. As the seventeenth round of the NSS showed, 69 per cent of rural workers were self-employed or dependent members of self-employed workers.

The prevailing level of literacy and education can be looked upon as an index of the quality of labour and the respective levels of productivity presently expected of it within the rural and the urban economies. The nineteenth round of the NSS (1964-65) and the 1971 census provide a basis for comparison.

TABLE 2
Percentage distribution of working persons by employment status

<i>Enterprise/service</i>	<i>Self employed</i>	<i>Dependent members</i>	<i>Paid employees</i>	<i>Total</i>
1. Agriculture and livestock	35.86	21.92	21.23	79.01
2. Construction	0.39	0.35	1.52	2.26
3. Manufacturing	4.57	1.68	3.37	9.62
4. Trade	1.81	0.31	0.28	2.40
5. Services	1.43	0.47	4.52	6.42
6. Not recorded	0.10	0.06	0.13	0.29
<i>Total</i>	<i>44.16</i>	<i>24.79</i>	<i>31.60</i>	<i>100.00</i>

Source : NSS, No. 190, 17th Round, September, 1961-July 1962. Tables with Notes on Employment and Unemployment in Rural Areas.

TABLE 3
Distribution of rural and urban workers by educational standard (%)

<i>Educational Standard</i>	<i>Rural workers</i>		<i>Urban workers</i>	
	<i>NSS 19th round</i>	<i>1971 census</i>	<i>NSS 19th round</i>	<i>1971 census</i>
1. Illiterate	75.58	70.1	37.42	35.1
2. Literate below primary or without educational level	13.20	10.7	20.06	10.8
3. Primary	6.83	11.0	16.44	17.0
4. Middle	3.02	5.1	11.06	14.0
5. Matriculation or higher secondary	1.20	2.6	11.54	15.9
6. Above matriculation or higher secondary	0.17	0.5	3.48	7.2
<i>Total</i>	<i>100.00</i>	<i>100.00</i>	<i>100.00</i>	<i>100.00</i>

Source : 1971 Census ; and NSS, No. 193, 19th round (July 1964-June 1965). Tables with Notes on Employment and Unemployment in Rural and Urban Areas of India.

As between the rural and the urban parts of the economy, different occupations can also be compared in terms of the quality of labour currently required in them. Thus, at the 1971 census 68.7 per cent of cultivators and 86.8 per cent of agricultural labourers were found to be illiterate. The percentage of illiterate workers in three major activities which are extensively followed both in urban and in

rural areas was as follows :

Proportion of illiterate workers, 1971 (%)

	<i>Rural</i>	<i>Urban</i>
Household industry	60.5	47.7
None-household industry	44.2	31.9
Trade and commerce	30.7	24.4

These statistics suggest that education, literacy and other training will have an exceedingly important role in any future transformation of the rural household sector.

Farm Households

Farm households are by far the most critical component of the rural household sector. There is an intimate connection between the levels of productivity attained by farmers and those possible in other occupations. Therefore, the key to raising incomes and efficiency in household enterprises of all kinds lies in the approach to development and organization of agriculture.

Since agricultural conditions differ so widely from area to area, problems of small and uneconomic farms have to be considered always in their regional context. With the speeding up of technological changes as a consequence of high yielding varieties of cereals, regional differences have gained in significance. From this aspect, data on regional development at present available are far from satisfactory. However, if we take special note of the conspicuous change which has occurred in the predominantly wheat growing areas, the results of the NSS enquiries into land holdings, carried out in 1960-61 (sixteenth round) and 1961-62 (seventeenth round) still provide a fair starting point.

In 1960-61, it was estimated that there were 69.5 million household operational holdings distributed by size as shown in Table 4.

In most parts of the country, petty and small farmers account for three-fourths or more of farm households. In a number of states, they also account for three-fifths to three-fourths or more of the operated area. These include Assam, Bihar, Orissa, West Bengal, Kerala, Jammu and Kashmir, Madras and Uttar Pradesh. In the remaining States, the proportion of land held by medium-sized and large owners is much greater, amounting to as much as 70 to 80 per cent of the area. In other words, for somewhat different reasons,

TABLE 4
Distribution of household operational holdings by size class, 1960-61

Size of holding	Operational holdings		Estimated area	
	Number (000)	Percent of total	Area in acres (000)	Percent of total
1. Petty holdings 0-5 acres	51,358	73.89	63,202	19.45
2. Small holdings 5-10 acres	9,369	13.48	65,954	20.29
3. Medium-sized holdings				
10-20 acres	5,500	7.91	75,390	23.20
20-30 acres	1,695	2.44	41,142	12.66
4. Large holdings 30 acres and over	1,583	2.28	79,281	24.40
<i>Total</i>	69,505	100.00	324,969	100.00

Source: NSS, No. 122, sixteenth round, June 1960-June 1961, *Tables with Notes on Agricultural Holdings in Rural India*.

except in regions with highly favourable agricultural conditions, the state of petty farm households and of many among small farm households, borders on mere subsistence, and only a thin line divides them from agricultural labourers.

There has been a tendency in official policy for some years to treat the question of petty holdings as being scarcely amenable to structural change and to look for palliatives. Two different suppositions are advanced. Firstly, it is argued that, with modern scientific agriculture and irrigation and other inputs, quite small holdings should become economically viable. Secondly, the task of bringing about (through cooperation, pooling, and grant of surplus lands) farms which can be operated economically, having regard to the agronomic conditions of each region, is implicitly believed to be outside the realm of practical politics. Thus, on balance, there is now a state of fatal resignation in national policy to the vast majority of farm households continuing in a depressed state for years to come, with increasing numbers being pushed on to their existing petty and small holdings.

In these circumstances, progress along the lines of scientific agriculture itself becomes a source for widening disparities between different groups of farm households. There should be no reason for

surprise if the benefits of development accrue in much larger measure to the relatively better off farm households. Indeed, as several local studies have shown, the results reflect the essential facts of the situation. For instance, the recent study on *Credit Requirements for Agriculture*, undertaken by the National Council of Applied Economic Research, showed that, of the 39 per cent of farm holdings below 2 hectares which received credit from any source, as many as 77 per cent went to money lenders. Compared to 9 per cent in the case of farmers with 6 hectares or more, the average rate of interest they paid come to 16 per cent per annum. The following table for 1970-71, drawn from another study by the NCAER, shows the proportion of fertilized to gross cropped area for different crops and by size of holding. The table illustrates at a glance both the significance of the size of holding and the extent to which the agricultural advances begun in recent years remain to be carried forward.

TABLE 5
Percentage of fertilized area to gross cropped area 1970-71 by crops and size of holding

Crop	Class of land	Size of holding		(hectares) 8.5 and above	All holdings
		Less than 2.5	2.5-8.5		
Rice	Irrigated	58.42	67.20	91.14	64.81
	Unirrigated	31.10	37.34	59.04	35.59
	Combined	41.39	49.30	72.79	46.98
Wheat	Irrigated	54.43	73.48	82.12	68.71
	Unirrigated	22.91	13.31	10.97	15.75
	Combined	43.69	53.58	51.87	49.93
Jowar	Irrigated	15.13	46.35	53.45	38.81
	Unirrigated	4.81	4.61	16.75	3.11
	Combined	6.86	21.00	20.16	17.39
Maize	Irrigated	33.56	63.35	58.06	47.28
	Unirrigated	6.70	1.63	3.47	4.79
	Combined	18.79	33.19	30.89	25.05
Cotton	Irrigated	61.62	74.73	68.95	70.48
	Unirrigated	15.32	43.95	27.78	31.34
	Combined	39.26	55.51	32.62	40.26
Oilseeds	Irrigated	25.76	43.44	45.07	34.90
	Unirrigated	13.48	25.34	46.71	29.40
	Combined	10.52	20.92	11.02	14.73

Source : NCAER, *Fertilizer Use on Selected Crops in India, 1974*,

The main conclusion to be noted at this stage of the discussion is that farm households, which we have described as petty and small, and backward or unfavourable conditions of soil, rainfall and irrigation, constitute the core problems in the development of the rural household sector. Without substantial qualitative changes in these two respects, very limited progress can be made in raising the rural household sector as a whole to higher levels of income and productivity.

Rural Labour Households

Estimates of numbers of rural or agricultural labour households are greatly influenced by the choice of definitions and reference periods. Regrettably, in the hope of improved concepts, changes from one enquiry to another and from one population census to another, have been only too frequent. However, all available surveys confirm the broad dimensions. The first agricultural labour enquiry (1950-51) placed the number of agricultural labour households at 17.9 million, the second (in 1956-57), on a slightly modified definition, at 16.3 million. The NSS enquiry in the eighteenth round (1963-64) estimated the number of agricultural labour households at 14.12 million and of rural labour households at 17.25 million. At the census of 1971, agricultural labourers accounted for 30.71 per cent of the working population of rural area.

There has been some academic debate in recent years about the extent to which the spread of improved agricultural practices and intensification of agriculture have led to longer periods of work and to increase in real wages. The available evidence suggests that, in some favoured regions, where there has been rapid growth, agricultural labour gained along these lines. But, clearly, this has not been so over the greater part of the country. Generally speaking, the numbers seeking wage-work for long spells during the year have increased without proportionate expansion in the volume of economic activity. Therefore, despite small and possibly transitional improvements in some-areas, the overall outlook for rural labour households has not changed significantly.

Data on the income of rural and agricultural labour households continue to be exceedingly meagre. The NSS enquiry in 1963-64, which was based on a sample of 5,296 households drawn from 8,472 villages, indicated the following distribution pattern for household income for rural and agricultural labour.

Although, according to the NSS enquiry, out of 17.25 million rural labour households, 10.50 million households had no land and

6.75 million had some land, in terms of average income levels, the difference was quite nominal.

TABLE 6
Percentage of rural and agricultural labour households in different income groups in 1963-64

<i>Household income (Rs.)</i>	<i>Rural labour households</i>	<i>Agricultural labour households</i>
1. Up to Rs. 200	13.03	13.77
2. Rs. 201-300	8.35	8.65
3. Rs. 301-400	11.16	11.93
4. Rs. 401-500	9.55	10.42
5. Rs. 501-600	10.00	10.32
6. Rs. 601-700	8.79	8.77
7. Rs. 701-800	8.69	8.79
8. Rs. 801 and above	30.43	27.35
	100.00	100.00

Source: NSS, No. 134, 18th round, February, 1963 to January, 1964, *Tables with Notes on Income of Rural Labour Households.*

From the facts cited above and others with which we are familiar, it is possible to insist on one conclusion. Within the present agrarian structure, considering the growth of population, the preponderance of petty and small holdings, the existing labour reserves, and the pressure for labour-saving technologies among the better off farmers, the future of rural labour is bleak, both economically and socially. Without far-reaching changes in the organization of agriculture and in the direction and tempo of the national economy, rural labour households will remain a depressed section of the community.

Household Industry

Definitions adopted from time to time have caused a degree of confusion about the numbers engaged in household industry. The part-time and seasonal nature of much rural industry has also added to the difficulty. At the census of 1961, the non-factory sector of industry was reckoned to have a working force of about 13.5 million, of which about 9.25 million were engaged in household industry. On a modified concept, the 1971 census has placed the number of

workers with household industry as their main activity at 6.35 million, of whom 4.76 million were in the rural areas.

Except for handloom, the economic problems of household industries have not been studied with sufficient precision. The NSS has made a series of efforts to gather data on household enterprises, beginning with its seventh and eighth rounds (1953-55), continuing into the fourteenth round (1958-59), the twenty-third round (1968-69), and the twenty-ninth round currently under way (1974-75). Beyond overall estimates for different groups of household industries, such as might assist calculations in the preparation of national accounts, there is need now for more detailed analytical studies. The various NSS enquiries have thrown up the following estimates of numbers engaged in rural and urban areas in household enterprises smaller than registered factories :

(in thousands)

	<i>Number of households</i>				<i>Number of workers</i>			
	<i>NSS 7th round</i>	<i>NSS 8th round</i>	<i>NSS 14th round</i>	<i>NSS 23rd round</i>	<i>NSS 7th round</i>	<i>NSS 8th round</i>	<i>NSS 14th round</i>	<i>NSS 23rd round</i>
Rural	8216	8825	11134	6560	9426	10538	12911	9986
Urban	1617	1985	2322	1991	3216	3664	4407	2005
Total	9833	10810	13456	8551	12642	14202	17318	12091

These different estimates may not be comparable in detail. However, they indicate that one-eighth to one-sixth of all rural households have depended and will long depend for their livelihood on some form of household industry.

Rural household industry has been, in part, a way of life; in part, a response to the needs of rural communities in each phase of development. Most household enterprises operate at very low levels of productivity in the rural areas, and at somewhat higher levels in urban areas. In the seventh round of the NSS, the monthly value of output and net earnings per household were placed respectively at Rs. 35.6 and Rs. 12.3, compared to Rs. 186.5 and Rs. 39 in the urban areas. In the twenty-third round of the NSS, the average value added per enterprise in rural household industry was Rs 54.6 compared to Rs. 173.2 in urban areas. At the 1961 census, it was observed that 14 per cent of the urban establishments used electricity

compared to 1.2 per cent in the rural areas. At the fourteenth round of the NSS, the number of workers per household was 1.16 in rural areas, compared to 1.9 in the urban areas, and the number of days worked during the month in 21 household industries which were investigated was 11.2 in rural areas and 20.9 in urban areas.

There are several issues of policy which have yet to be clearly posed and resolved in the context of the future of household industries, specially in the rural areas. The basic question is one of transformation in techniques, organization and inputs. perspective changes in agriculture and the perspective design of industry, including large scale and small scale units of all kinds, have to be worked out carefully. As matters stand, with more efficient production units coming into existence (more often in urban areas) and the rural and urban economies drawing closer to one another, larger numbers from amongst those currently engaged in household industry are likely to merge into the mass of rural unskilled labour. On the other hand, with the spread of rural electrification and greater technical progress in agriculture, given appropriate economic policies, there are constructive possibilities for building up a wide range of small and household industries at the level of the village and the small town for meeting the changing needs of rural communities and also sharing in the growing urban market.

Rural Household Trade

Service activities, including trade and transport, adapt themselves readily to the organization of production in agriculture and manufacturing. Consequently, rural household trade displays features similar to those of production activities undertaken in the rural economy. These include, for instance, the household as the basis of enterprise, sharing of trade with other activities, low productivity and low income levels, and widespread disguised unemployment.

NSS enquiries constitute the main source of information on household trade, both in rural and urban areas. In the twenty-third round (1969-70) the number of trading households was estimated to be 2.65 million in rural areas and 1.44 million in urban areas. With 59 per cent of trading households, trade was the principal occupation with 41 per cent, it was a secondary occupation. The NSS enquiry in 1965-66 into household distributive trade showed 41 per cent of trading households as being engaged in addition, in agriculture, 34 per cent in animal husbandry, and 14 per cent in manufacturing. In the 1969-70 enquiry, 95 per cent of trading households in rural areas

were engaged in retail trade, by far the most important area of trading being food-stuffs. The volume of business involved was small, the monthly gross earning in trade per trading household being Rs. 80 in rural areas, compared to Rs. 306 in urban areas.

While rural household trade will adjust itself steadily to the demands of rural consumers and producers, there is ground for raising doubt on certain aspects of its future. In three expanding areas, for reasons of public policy, other agencies will enjoy preferential role. Thus, co-operatives will gradually enlarge their share in the marketing of agricultural crops, in the distribution of fertilizers and other inputs, and in the distribution of consumer goods, specially during periods of shortage. In the traditional village economy, there were close links between merchandise and money-lending, and between the retail shopkeeper and the wholesale trader. Inevitably, these relations have changed in some degree and will change still further. On the whole, the familiar patterns of rural household trade are likely largely to disappear over a period of years. There has long been a mild exodus of trading castes from the rural to the urban economy, and the trend is likely to gather greater strength in the coming years. There is need to observe such changes closely, so that the gaps in the rural economy can be filled appropriately as they arise.

Rural Household Income and Saving

Two major studies on rural income and savings, undertaken in 1962 and in 1967-68, by the National Council of Applied Economic Research, provide at present the main evidence of the degree of economic adequacy or viability of which the rural household sector is currently capable.*

*NCAER, *All India Rural Household Survey Saving, Income and Investment*. Volume II (July 1965); and *Household Income, Saving and Consumer Expenditures* (December, 1972).

The results of the 1962 survey concerning the distribution of net income and net savings are summarized in the table below :

TABLE 7
Total net income and net savings of rural households by percentile groups, 1962

<i>Percentile group</i>	<i>Weighted share of net income (%)</i>	<i>Weighted average income (Rs.)</i>	<i>Weighted share of net saving (%)</i>	<i>Weighted average net saving (Rs.)</i>
Bottom 5	0.66	170	-43	-537
5-10	1.40	363	-13	-164
10-20	3.74	482	-13	- 80
20-30	4.69	606	- 5	- 34
30-40	5.60	724	- 3	- 19
40-50	6.66	861	- 2	- 13
50-60	7.88	1,019	Neg	- 3
60-70	9.49	1,227	3	17
78-00	11.65	1,506	10	61
80-90	15.30	1,979	24	152
90-95	10.66	2,757	28	353
95-96	2.69	3,194	9	568
96-97	2.95	3,817	10	661
97-98	3.39	4,381	14	909
98-99	4.28	5,542	22	1,364
99-100	8.97	11,591	59	3,722
<i>All households</i>	<i>100.00</i>	<i>1,293</i>	<i>100</i>	<i>63</i>

Sixty per cent of the rural households showed negative saving; that is, they had deficit economies, which could be simply explained by their basic conditions as producers and workers. Their combined share in the aggregate net income was a little over 30 per cent. The bulk of the saving was done by the top 20 per cent of households, their share in aggregate net income amounting to over 48 per cent. Similar results were obtained in NCAER's 1967-68 survey. Sixty per cent of rural households, in income groups below Rs. 3,000 per annum, made negative savings. Twenty-five per cent of rural households, in income classes above Rs. 5,000 per annum, accounted for almost the entire net saving. The bottom 50 per cent of the households had 19 per cent of the total disposable income while the share of the top 10 per cent came to 33 per cent.

The disparities in income and, therefore, in the capacity to save, to which the data cited above have pointed, are by no means an

accident. Only in a secondary sense do they represent problems of distribution. Basically, low incomes and subsistence economy at the level of the mass of the population, are to be traced to the very nature of the production activities being undertaken, their modes of organization, and the techniques in use. Only as these are modified, will it become possible to raise the general levels of income and productivity and to reduce existing inequalities significantly. Measures for redistribution of income and wealth and for expanding social consumption, essential as they are, will make their most effective contribution only when joined to fundamental changes in the composition, organization and technology of production.

Some Concluding Reflections

Our review of different components of the rural household sector has been sketchy, mainly because the gathering of data on the subject has fallen outside the purview of development policies and programmes as these have evolved through diverse agencies over the past two decades. The Indian economy has been viewed, less in terms of the structure as it has been in the past and the directions in which it has been changing, far more in terms of concepts and modes of analysis which developed in more advanced, industrialized, monetary systems, operating successfully through private enterprise. These economies faced problems of growth and management which were different in many ways from those in our economy; their social structures and institutions were also different.

Without proceeding far with this theme on the present occasion it may be sufficient to say that, if the main problems of low productivity and structural change are correctly identified, and data gathered with a view to finding appropriate long term solutions, the resulting information will also be of greater value in statistical appraisal and computation. As it has happened, even the enquiries of the NSS and many others bearing indirectly on the household sector have sought information with the object of building up formal systems of national accounts and have not been sufficiently oriented to analysis of underlying conflicts and to practical answers at the level of national policy. However, with the work already done and the wealth of statistical talent at hand, the gaps can be quickly filled.

As we consider different activities in the rural, economy it becomes apparent that, for a substantial part of the rural population, varyingly estimated at 40 to 60 per cent (and even more in some areas), there is yet no escape from extremely low levels of income and productivity from want and deprivation and the worst forms of

poverty. As it is at present structured and organized, it is beyond the capacity of our rural economy to find an answer, in the midst of rapid population growth, to the problems of poverty and hunger which confront the rural proletariat composed of petty farmers, rural labourers, and those engaged in household industry. Instead, we should expect both a sharpening of differences in levels of income productivity between the rural and the urban economy, and increase in economic distance between the relatively better off and the relatively worse off groups within the rural economy.

As this discussion draws to a close, it will be too large a theme to seek to outline changes in development policy and objectives which might conceivably begin to make a real dent into the fundamental problems which are implicit in the present working of the rural household sector. These problems demand massive attack from several directions. Among these, four lines of advance will have the greatest value in reinforcing powerfully all other forms of developmental action.

First, as is being increasingly recognized, the economy of each distinctive region has to be greatly strengthened as a means to the eradication of extremes, of poverty such as are now certain to persist in the existing rural household sector. This means that the dominant share of public investment over the next decade has to be directed to rural infra-structures, including irrigation, electrification, health services, improved nutrition, facilities for education and training, and the welfare and development of women, children and youth.

Secondly, it is time to take as a base for policy and action the plain fact that, except for those farmers who have fair-sized holdings and for a proportion of others in the relatively favoured regions, vast numbers of existing farm holdings will remain uneconomic and deficit in character. Therefore, a variety of fresh approaches to the reorganization of the management of land, involving co-operation in physical planning and in production and services as well as land redistribution, have become imperative for raising the productivity of the bulk of the land and the bulk of rural labour.

Thirdly, instead of being allowed largely to decay through isolation and neglect, conditions of household industries have now to be probed more deeply. Given the necessary support and technical help, many of these could be developed into progressive rural industries which are increasingly brought into cohesion, on the one hand, with the needs of present-day agriculture and, on the other, with the

opportunities for supply and marketing offered by modern small-scale and large-scale industries. This involves a comprehensive long-range view of industrialization such as has yet to be formulated.

Finally, in the absence of far-reaching changes in patterns of rural production and employment, the growth of a modern sector of industry and services has led to an increasing gap in levels of income, techniques and productivity between the 'organized' and the 'unorganized' parts of the Indian economy. Without bringing these two disparate sectors into much closer relationship, so that they grow together, despite advances in science and technology and the building up of great industrial complexes, a considerable proportion of the mass of the population will remain imprisoned in poverty, unemployment and under-employment, and social inequity. On the other hand, a better unified and integrated economy, in which the resources of the modern industrial sector are applied intensively to the transformation of the rural household sector and the raising of the levels of productivity of those subsisting in it, will meet more effectively these challenges as well as the pressing claims of population growth.